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BOSTON'S OFFICE MARKET
A BRIEF LOOK AT CONSTRUCTION AND VACANCY LEVELS

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August 1978

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The results of BOMA's April Office Vacancy Survey, released in early July, revealed an overall vacancy rate of 10.09% for Downtown Boston, which translates to 3.8 million gross square feet of vacant office space. By class, vacancy figures are as follows (April, 1977 figures are shown for comparison):

	April, 1978	April, 1977
Class A	8.49%	12.58%
Class B	8.92%	12.96%
Class C	22.59%	26.92%
TOTAL:	10.09%	15.10%

The overall vacancy rate of 10.09% continues a downward trend in office vacancies occurring since the post World War II peak of 15.1% reported by BOMA in April, 1977. Vacancy rates should continue to fall as Boston firms continue to expand, assuring the need for further office construction in the early 1980's.

The post World War II record high vacancy rate of 15.1% followed the greatest office construction period in Downtown Boston's history. Since 1971, over 10 3/4 million square feet of office space has been built or rehabilitated. Adding to this the total office construction figure for the period 1961-1970 (4.75 million square feet), Boston's total private

office stock has nearly doubled in less than 20 years from approximately 22½ million square feet in 1960 to nearly 38 million square feet today. Despite this period of rapid construction, vacancy rates exceeded 10% in only 7 of the 36 vacancy surveys conducted by BOMA since 1960, five of which occurred in consecutive order following the completion of an unprecedented 5.2 million square feet of office space in 1975. Vacancy rates have been falling steadily since the Spring, 1977 vacancy rate peak of 15.1%.

It should be noted that 1979 will be the first year with no office building completions in 14 years. Since there are currently no finalized plans for office construction, there will be no office building completions until the early 1980's. However, a projected absorption rate of slightly over 600,000 square feet annually until 1982 assures that Downtown Boston's office vacancy rate will fall below 6% in 3 years. This situation should spur the upgrading of many existing Class C office buildings to the Class B or Class A Rehab category (at present approximately half of Boston's Downtown office stock was constructed prior to 1931 and is categorized as Class C).

Boston's office market, up until 1973, had been dominated by structures built between 1891 and 1930. Bar graph A illustrates that almost half of all existing office space Downtown was built during these years, a period when Boston completed its change from a mercantile to an industrial economy. This was also the period when Boston doubled its population from 342,000 in 1875 to almost 800,000 in 1925.

One may speculate as to the reason why few buildings date to the period 1931-1960. Economic depression, a shift in Boston's economic base, insufficient demand for new construction given a relatively modern office building stock, all are possible explanations for the drought of office construction during these years.

The period 1961 to the present, represented by bar graph A, dramatically illustrates the recent office building boom in which 15½ million square feet of space was built. There are many reasons for this most recent building period, most important of which is the need for more and newer facilities by Boston's firms. However, one cannot deny that Boston's property tax structure, the advent of 121A, and tax letters of agreement have had an influence on the composition of the downtown office stock.

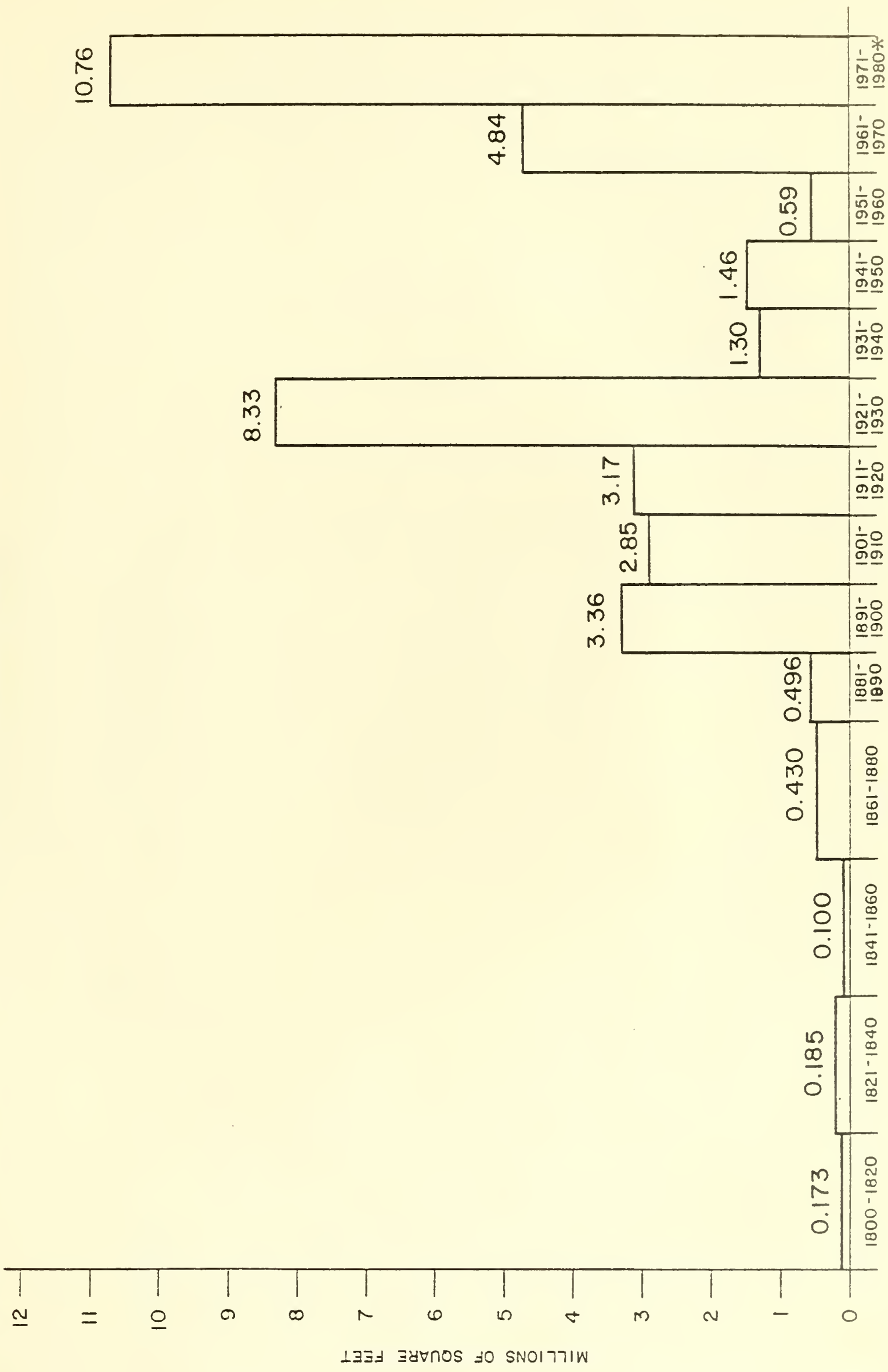
In reviewing office vacancies and construction over the past two decades (graphs B and C), one realizes that Downtown Boston's office market has 'readily' absorbed large amounts of new office space. Admittedly, older Class C office structures have suffered from this recent construction. However, overall vacancy rates have almost consistently remained below 10% (except for the last two years) demonstrating the relative strength of the Downtown office market. As Boston firms continue to expand, and new firms are organized in the Downtown, actively marketed Class C buildings should begin to attract new tenants. A more equitable

property tax structure for older commercial properties would also alleviate some of the financial burden on this segment of the Downtown office market, allowing for the innovation in marketing techniques and the upgrading of space necessary for this segment's healthy existence.

Graphs appear on the following pages illustrating the age of Boston's office stock (graph A), and comparing office construction to office vacancy (graphs B and C). Two tables follow the graphs: Table I lists structures built since 1959 with corresponding footages; Table II lists vacancy rates for Downtown Boston office properties from 1934 to the present.

GRAPH A

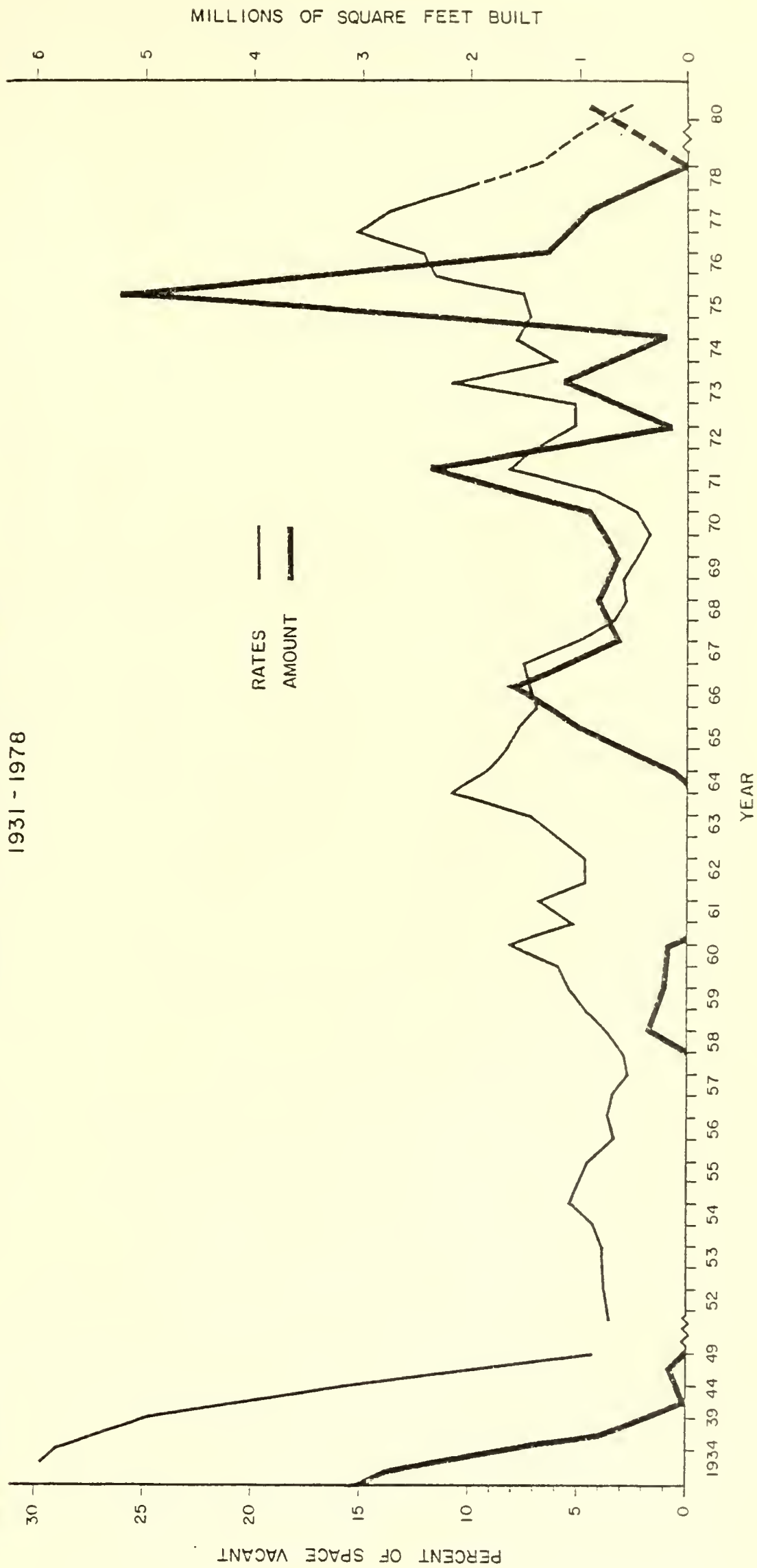
DOWNTOWN BOSTON'S CURRENT OFFICE STOCK
BY YEAR OF COMPLETION



MICHAEL MATRULLO, B.R.A. RESEARCH
SOURCE: OFFICE INDUSTRY SURVEY (OFFICE SPACE INVENTORY)
* ESTIMATED TO 1980

GRAPH B

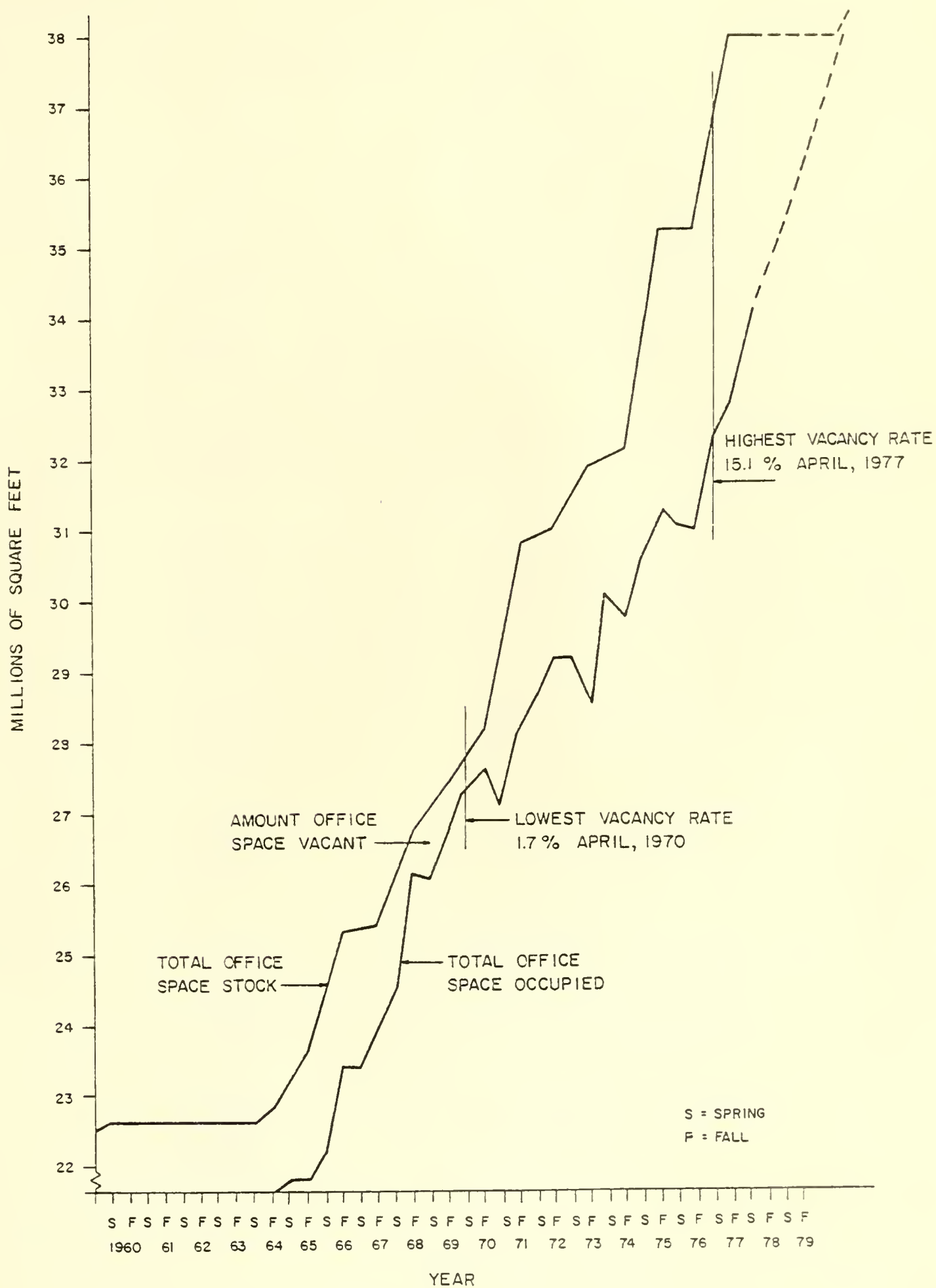
DOWNTOWN BOSTON
OFFICE VACANCY RATES (%)
AMOUNT OF OFFICE SPACE BUILT
1931 - 1978



MICHAEL MATRULLO, B.R.A. RESEARCH
SOURCE: VACANCY RATES - BOMA OFFICE VACANCY SURVEYS ; AMOUNTS OF OFFICE SPACE - OFFICE INDUSTRY SURVEY (INTERIM REPORT)

GRAPH C

BOSTON'S OFFICE SPACE STOCK
TOTAL STOCK - TOTAL OCCUPIED
1959 - 1979



MICHAEL MATRULLO, B.R.A. RESEARCH
SOURCE: OFFICE INDUSTRY SURVEY INTERIM REPORT
BOMA OFFICE VACANCY SURVEYS

TABLE I

PRIVATE OFFICE BUILDINGS IN DOWNTOWN BOSTON
BUILT AND REHABILITATED SINCE 1959

<u>YEAR BUILT</u>	<u>GROSS SQUARE FEET</u>	<u>ADDRESS</u>
1959	285,000	125 High Street
1960	142,000	133 Federal Street
1965	1,000,000	800 Boylston Street
	852,000	225 Franklin Street
	54,000	500 Boylston Street
	60,000	70 Federal Street
	200,002	One Center Plaza
1966	1,166,002	
	200,002	Two Center Plaza
	35,000	20 Ashburton Place
1967	235,002	
	590,000	28 State Street
	130,000	100 Charles River Plaza
	80,000	25 New Chardon Street
	25,000	One Union Street*
1968	825,000	
	200,002	Three Center Plaza
	50,000	55 Court Street
	40,000	Sears Crescent*
1969	290,002	
	825,000	One Boston Place
	75,000	15 New Chardon Street
1970	900,000	
	432,000	101 Huntington Avenue
	1,175,000	100 Federal Street
	775,000	99 High Street
	91,896	45 School Street*
	13,300	One Dock Square*
1971	2,487,196	
	140,000	One Washington Mall
	17,500	21 Merchants Row*
1972	157,500	

* Rehabilitated old building

Office Buildings (continued)

<u>YEAR BUILT</u>	<u>GROSS SQUARE FEET</u>	<u>ADDRESS</u>
	45,000	One Bulfinch Place
	1,020,000	One Beacon Street
	66,000	141 Tremont Street
1973	<u>1,131,000</u>	
	105,000	30 Winter Street
	85,000	545 Boylston Street
	23,000	Pilot House at Lewis Wharf*
	16,110	210 Commercial Street*
	73,000	One Winthrop Square*
1974	<u>302,110</u>	
	1,000,000	100 Summer Street
	200,000	50 Staniford Street
	1,103,000	One Federal Street
	2,000,000	200 Clarendon Street
	910,000	245 Summer Street
1975	<u>5,213,000</u>	
	140,000	55 Summer Street
	200,000@	Federal Reserve at Dewey Square
1976	<u>340,000</u>	
	700,000	60 State Street
	200,000	175 Federal Street
	91,323	South Market Building*
1977	<u>991,323</u>	
1978	59,000**	North Market Building*
TOTAL:	15,524,135	

* Rehabilitated old building

@ 200,000 square feet of 1,138,500 square feet are for public leasing

** latest estimate from Ryan Elliott



TABLE II

DOWNTOWN BOSTON VACANCY RATES (1934 - 1978)

FROM BOMA OFFICE VACANCY SURVEY'S

<u>Date of Survey</u>	<u>% of Vacancy</u>	<u>Date of Survey</u>	<u>% of Vacancy</u>
May 34	29.00	October 65	8.40
May 39	24.80	April 66	6.90
May 44	15.42	October 66	7.40
May 49	4.28	April 67	7.50
May 50	4.69	October 67	5.00
May 51	4.79	April 68	3.40
May 52	3.64	October 68	2.70
October 52	3.72	April 69	2.90
May 53	3.74	October 69	2.40
October 53	3.84	April 70	1.70
May 54	4.30	October 70	2.40
October 54	5.33	April 71	4.20
May 55	4.95	October 71	8.10
October 55	4.52	April 72	6.90
May 56	3.43	October 72	5.20
October 56	3.55	April 73	5.20
May 57	3.42	October 73	10.70
October 57	2.69	April 74	6.00
May 58	2.94	October 74	7.80
October 58	3.52	April 75	7.30
May 59	4.68	October 75	7.50
October 59	5.48	April 76	11.50
May 60	5.98	October 76	12.10
October 60	8.06	April 77	15.10
May 61	5.11	October 77	13.60
October 61	6.76	April 78	10.10
May 62	4.60		
October 62	4.60		
October 63	7.35		
January 64	10.90		
October 64	9.20		
April 65	8.40		

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A Brief Look at Construction

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